

Message Text

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PAGE 01 LONDON 09124 01 OF 02 021149Z
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 CAB-02
COME-00 DOTE-00 EPG-02 FAA-00 IO-13 ARA-06 /082 W
-----021214Z 035255 /44

O 021136Z JUN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4608
AMEMBASSY ATHENS IMMEDIATE
AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09124

PASS CAB (WEST, RODRIGUEZ), DOT (BUTCHMAN, KAMM),
WHITE HOUSE (JOHNSTON)
ATHENS FOR DOT SECRETARY ADAMS AND ASSISTANT SECRETARY
DAVENPORT
PARIS FOR UNDER SECRETARY COOPER
FROM AMBASSADOR BOYD

E.O. 11652:GDS
TAGS: EAIR, UK
SUBJECT: US-UK CIVAIR NEGOTIATIONS: STATUS ASSESSMENT,
JUNE 1

REF: A) LONDON 8950, B) LONDON 9033, C) LONDON 9110

1. BACKGROUND.

A. AS OF MAY 29, (SEE STATUS REPORT RELAYED IN REFTTEL
A), TWO SIDES WERE FAR APART ON MAIN NORTH ATLANTIC
ISSUES OF (I) CONTROL OF AIRLINE CAPACITY, (II) NUMBER
OF AIRLINES EACH COUNTRY CAN FLY ON EACH ROUTE, AND
(III) US AIRLINE RIGHTS TO FLY BEYOND LONDON.
B. ON MAY 30, IN EFFORT TO BREAK LOGJAM, US ADVANCED
COMPREHENSIVE PAPER GIVING US "BOTTOM LINE" POSITION
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PAGE 02 LONDON 09124 01 OF 02 021149Z

ON THESE FUNDAMENTAL ISSUES. US PAPER INDICATED CLEARLY
AMOUNT OF US MOVEMENT FROM ORIGINAL POSITION, DEALT
SPECIFICALLY WITH RECENT UK POSITIONS.
C. ON MAY 31, UK RESPONDED TO US PAPER, CALLING IT MOST
DISCOURAGING, CRITIZING US FOR LACK OF MOVEMENT, FOR
ASKING FOR TOO MUCH. UK DID NOT ADVANCE ANY NEW
PROPOSALS NOR PROVIDE COMPREHENSIVE ASSESSMENT OF ISSUES

(SEE REFTEL B).

D. ON JUNE 1, SHOVELTON ASKED TO MEET PRIVATELY WITH BOYD. THEY HAD PLEASANT, INCONSEQUENTIAL CONVERSATION FOR SEVERAL HOURS, IN WHICH SHOVELTON NEVER RAISED CENTRAL ISSUES ON WHICH DIFFERENCES ARE LARGE, BASIC. YET BALL WAS CLEARLY IN UK COURT, SINCE US HAD LAID FORTH TWO DAYS EARLIER COMPREHENSIVE "BOTTOM LINE", AND UK HAD NOT ADVANCED COMPARABLE STATEMENT. NO MEETING WAS SET FOR THURSDAY, SHOVELTON SUGGESTING ONLY WE MIGHT MEET FRIDAY.

E. AS REPORTED REFTEL C, SHOVELTON APPEARED TO BE STALLING, HOPING US MIGHT VOLUNTEER FURTHER CONCESSIONS, PRIOR TO JUNE 1 DINNER, INVOLVING BOYD, DELL, SHOVELTON, HOSTED BY WM. MILLER.

2. REPORT ON BOYD-DELL DINNER CONVERSATION.

A. DELL TOOK HARD LINE, SAID UK VERY CONCERNED THAT US HAD ADVANCED MAJOR DEMANDS AT 11TH HOUR IN NEGOTIATIONS. IN PARTICULAR DELL OBJECTED TO (I) US CUTTING CAPACITY PROVISIONS, (II) NEW 5TH FREEDOM RIGHTS TO SAUDI ARABIA, (III) ROUND-THE-WORLD (RTW) ROUTE FOR TWA, AND (IV) US "NOTE 1" PROVISIONS ALLOWING OPEN BLIND-SECTOR RIGHTS BEYOND LONDON. SAID US POSITION CREATES UNTENABLE POLITICAL SITUATION.

B. DELL SAID US CAPACITY PROVISIONS LIKE SIEVE ONE COULD DRIVE A TRUCK THRU. DELL, BRITISH AIRWAYS (BA) FEARFUL THAT US AIRLINES COULD SWAMP MARKET WITH NEW CAPACITY UNDER US PROVISIONS. BOYD RESPONDED THAT US FEARS UK COULD PUT LID ON US CAPACITY, ALLOWING US CONFIDENTIAL

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PAGE 03 LONDON 09124 01 OF 02 021149Z

AIRLINES NO MORE CAPACITY THAN BA WILLING OR ABLE TO MOUNT. BOYD RESPONDED THAT UK FEARS ARE FROM UK CONCLUSION AS TO WHAT MIGHT HAPPEN; UK HAS PRESENTED NO EVIDENCE THAT US PROPOSALS WOULD BE UNWORKABLE OR ADVERSE TO UK INTERESTS. DELL ESSENTIALLY RE-ITERATED UK POSITION AS REPORTED IN PARA 2 OF LONDON 8950.

C. DELL OBJECTED STRONGLY TO US REQUEST FOR 5TH FREEDOM RIGHTS TO NEW POINTS, ARABIAN PENINSULA, IN PARTICULAR, "A TOTALLY NEW DEMAND". MADE CLEAR THAT UK NEVER CONTEMPLATED US WOULD GET ADDITIONAL RIGHTS, BENEFITS IN AGREEMENT. AFTER ALL, UK TERMINATED BERMUDA, BECAUSE OF IMBALANCE. BOYD RESPONDED THAT US DID NOT WEAR SACK CLOTH AND ASHES, NOR ACCEPT TERMINATION AS INDICTMENT FOR GREED. AGREEMENT NEEDS TO BE UPDATED, BALANCED. SHOULD NOT RULE OUT NEW RIGHTS FOR US IN EXCHANGE FOR PREVIOUS ONES FOREGONE.

D. DELL EXPRESSED DISMAY THAT US WOULD ASK FOR 3 RTW ROUTES. BOYD EXPRESSED SURPRISE AT 3; RECEIVED

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PAGE 01 LONDON 09124 02 OF 02 021155Z
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09124

EXPLANATION: PANAM EASTBOUND, PANAM WESTBOUND, AND TWA.
FACT IS USDEL HAS PUSHED FOR ONE RTW (BOTH DIRECTIONS)
BETWEEN LONDON AND HK. IT IS POSSIBLE TO HAVE ANOTHER
THRU HK, NOT LONDON (FOR TWA). AT APPROPRIATE TIME
USDEL BELIEVES US SHOULD YIELD ON LATTER ROUTE.
E. "NOTE 1" PROVISIONS REFER TO US NOTE 1 FOR ALL
ROUTES FOR COMBINATION SERVICES (LATEST PROPOSAL PART
OF US 47 SUBMITTED MAY 30). NOTE 1 READS AS FOLLOWS:
1. IN ADDITION TO THE RIGHT TO CARRY TRANSIT, CONNECT-
ING, STOPOVER, AND LOCAL TRAFFIC BETWEEN INTERMEDIATE
POINTS AND UK POINTS AND BETWEEN UK POINTS AND BEYOND
POINTS DESIGNATED AIRLINES MAY CARRY THROUGH, ON-LINE
CONNECTING AND ON-LINE STOPOVER TRAFFIC BETWEEN UK
POINTS AND POINTS IN OTHER COUNTRIES, INCLUDING
COUNTRIES NOT LISTED AS INTERMEDIATE OR BEYONDS.
F. NOTE 1 PROVIDES THAT US AIRLINES MAY SERVICE US
ORIGIN/DESTINATION TRAFFIC BETWEEN US AND 3RD COUNTRIES
VIA LONDON OR HK, WITHOUT LIMIT. UK SEES THIS AS MEANS
FOR US TO JUSTIFY MORE FREQUENCIES TO UK THAN NEEDED TO
SERVE US-UK TRAFFIC. UKDEL ARGUES THIS PUTS BA AT
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PAGE 02 LONDON 09124 02 OF 02 021155Z

SEVERE COMPETITIVE DISADVANTAGE. USDEL DISAGREES SHARPLY. AS MATTER OF PRINCIPLE, UK SHOULD NOT HINDER US SERVICE OF US ORIGIN/DESTINATION TRAFFIC. AS PRACTICAL MATTER, BA HAS SUBSTANTIAL FLOWS OF CONTINENT-US TRAFFIC VIA LONDON (CAB AND PANAM ESTIMATE 30-35 PERCENT OF BA NORTH ATLANTIC TRAFFIC IS US-CONTINENT). G. DELL SAID NEW US DEMANDS PREVIOUSLY UNKNOWN TO UK (BOYD STRONGLY DISAGREED WITH THIS CHARACTERIZATION OF RECENT US PROPOSALS), RIGIDITY OF US POSITION PLACED UK IN INTOLERABLE POLITICAL SITUATION. HE SEEMED CAREFUL NOT TO SAY UK WOULD NOT ACCEPT US POSITION. APPEARED TO BE STRIKING NEGOTIATING POSTURE.

3. ASSESSMENT

- A. UK NOT LIKELY TO RISK 1ST RATE CONFRONTATION WITH US ON MAIN ISSUES. UK MAY WISH TO INVOLVE PRIME MINISTER AND JUST WANT TO MAXIMIZE PRESSURE ON US TO VOLUNTEER CONCESSIONS WHILE HOLDING CLOSE TO UK POSITION.
- B. DELL POSTURE COULD BE SETTING STAGE FOR PM CALL TO PRESIDENT -- NEW DEMANDS AT LATE HOUR, ETC. USDEL WILL DRAFT TALKING POINTS FOR SUCH CONTINGENCY.
- C. DELL POSTURE COULD ALSO BE LAST GASP BEFORE BASIC

ACCEPTANCE OF LATEST US PROPOSALS. DELL COVERED SOME, NOT ALL OF OUTSTANDING SPECIFIC ISSUES, MAY HAVE BEEN SCOPING STAGE ON WHICH FINAL SETTLEMENT WILL BE CUT. D. USDEL HAS NO EVIDENCE, BUT SUSPECTS THAT SUBSTANCE OF SHOVELTON AM JUNE 1 APPROACH TO BOYD TO HAVE PRIVATE CONVERSATION MAY HAVE BEEN NULLIFIED BY BA PRESSURE ON DELL (PERHAPS BA ACTED AT BEHEST OF ROGERS, WHO WILL LOSE GREATLY IF FINAL SETTLEMENT IS ALONG LINES CURRENT US "BOTTOM LINE"). E. USDEL WILL LET UK KNOW THAT BOYD HAS INSTRUCTED USDEL MEMBERS TO BE PREPARED TO RETURN HOME THIS WEEK-END. FINAL ASSESSMENT, DECISION LIKELY NOT BE ABLE TO BE MADE UNTIL LATE FRIDAY. CONFIDENTIAL

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PAGE 03 LONDON 09124 02 OF 02 021155Z

4. BOYD, MILLER HAVE INVITED ROSS STANTON, BA DEPUTY CHAIRMAN FOR COMMERCIAL OPERATIONS, FOR LUNCH TODAY. WORKING GROUP WILL MEET THIS PM TO DISCUSS ALL-CARGO ROUTES, GET UK RESPONSE TO US 50.

BREWSTER

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